COMPANY RESULTS

IHH Healthcare (IHH MK)

2Q25: Disappointing Quarter But 2H Offers Better Promise

IHH's 2Q25 earnings fell short of expectations, weighed by payer pressure in Singapore and Malaysia alongside the adverse impact of a stronger ringgit, offsetting Acibadem's standout performance. Looking ahead, there should be an improvement in 2H25 with Mount Elizabeth Orchard reopening and two Acibadem hospitals commencing contribution after incurring start-up costs in 2Q25. Maintain BUY with a lower target price of RM7.90.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	qoq % chg	yoy % chg	1H25	yoy % chg	Comments
Revenue	**6,298.0**	**0.1**	**3.4**	**12,592.0**	**4.5**	
Singapore	1,514.0	(0.4)	(3.0)	3,034.0	(2.5)	Weighed by MEO renovations.
Malaysia	1,166.0	4.3	15.2	2,284.0	16.1	Lifted almost entirely by Island Hospital.
Acibadem	1,990.0	(0.6)	15.8	3,993.0	13.7	Robust domestic economy drives local inpatient volume.
Others	1,628.0	(1.5)	(9.6)	3,281.0	(5.1)	
EBITDA	**1,354.0**	**0.5**	**(1.0)**	**2,701.0**	**(1.3)**	
Singapore	428.0	(0.7)	(13.0)	859.0	(10.6)	
Malaysia	289.0	5.9	14.2	562.0	14.2	
Acibadem	359.0	(0.8)	6.8	721.0	1.2	
Others	278.0	0.4	3.7	555.0	1.2	
Net profit	443.0	(13.8)	(28.9)	957.0	(31.2)	
Core profit	**419.0**	**(1.4)**	**(4.1)**	**844.0**	**0.5**	Below expectations.

Margins (%)	%	qoq +/- ppt	yoy +/- ppt	%	yoy +/- ppt
EBITDA	21.5	0.1	-1.0	21.5	-1.3
Core profit	6.7	-0.1	-0.5	6.7	-0.3

Source: IHH, UOB Kay Hian

RESULTS

- **Below expectations.** IHH Healthcare (IHH) posted a 2Q25 core profit of RM419m (-1.4% qoq, 4.1% yoy). This brought 1H25 core profit to RM844m (+0.5% yoy). Core profit is below expectations, with earnings accounting for 44% and 43% of our and consensus full-year forecasts respectively. While 2H25 earnings are expected to be stronger, the shortfall was due to softer-than-expected contributions from key markets, namely Singapore, Malaysia, and Hong Kong.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	20,935	24,383	26,385	28,971	31,724
EBITDA	5,650	5,542	4,191	4,731	5,129
Operating profit	4,651	4,521	3,145	3,659	4,028
Net profit (rep./act.)	2,953	2,657	1,807	2,066	2,381
Net profit (adj.)	1,280	1,685	1,807	2,066	2,381
EPS (sen)	14.6	19.2	20.6	23.6	27.2
PE (x)	46.5	35.3	32.9	28.8	25.0
P/B (x)	2.0	2.0	1.9	1.8	1.7
EV/EBITDA (x)	12.9	13.2	17.5	15.5	14.3
Dividend yield (%)	0.7	0.8	0.9	1.0	1.2
Net margin (%)	14.1	10.9	6.9	7.1	7.5
Net debt/(cash) to equity (%)	20.4	37.9	28.6	20.4	11.7
Interest cover (x)	6.7	7.0	4.8	5.6	6.5
ROE (%)	10.7	9.0	5.9	6.4	7.1
Consensus net profit	-	-	2,041.2	2,327.8	2,656.3
UOBKH/Consensus (x)	-	-	0.89	0.89	0.90

Source: IHH Healthcare, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM6.79
Target Price	RM7.90
Upside	+16.3%
(Previous TP	*RM8.30)*

COMPANY DESCRIPTION

IHH Healthcare provides healthcare services. The company operates hospitals as well as medical centres, clinics and ancillary healthcare businesses across multiple countries, including Singapore, Malaysia, Turkey, India and Hong Kong.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	IHH MK
Shares issued (m):	8,836.2
Market cap (RMm):	59,997.5
Market cap (US$m):	14,199.6
3-mth avg daily t'over (US$m):	8.2

Price Performance (%)

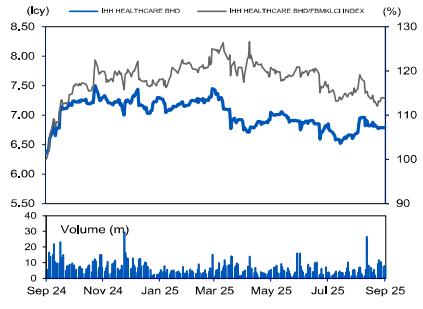
52-week high/low RM7.34/RM5.54

1mth	3mth	6mth	1yr	YTD
2.1	(1.6)	(8.9)	8.3	(7.0)

Major Shareholders	%
Mitsui & Co.	32.8
Khazanah Nasional	25.6
EPF	10.4

FY25 NAV/Share (RM)	3.58
FY25 Net Debt/Share (RM)	1.02

PRICE CHART



Source: Bloomberg

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- **Singapore drag as Island Hospital shines for Malaysia.** Singapore operations saw a 3.0% yoy revenue decline in 2Q25, driven by lower inpatient volume (-9.4% yoy) as Mount Elizabeth Orchard (MEO) renovations and payer pressure weighed on demand. Stronger revenue intensity (+9.6%) partly offset this. Sequential recovery is expected from 3Q25 as MEO reopens in phases, with full ramp-up by 2Q26. Operational earnings fell 13.0% yoy on softer volumes, cost pressures, and payer pushback. In contrast, Malaysia revenue rose 15.2% yoy, lifted by Island Hospital and Timberland acquisitions, as legacy hospitals were flattish. Operational earnings grew 14% yoy, supported by Island Hospital amid payer pressure, with insurer negotiations largely settled now.
- **Strong underlying demand for Acibadem but start-up costs weigh on earnings.** Acibadem's revenue grew by 16% yoy, driven by 32% revenue intensity and 4% inpatient volume growth. Growth was primarily driven by strong local demand arising from structural recovery in Turkiye's economy. Operational earnings only grew by 6.8% yoy due to start-up costs for two new facilities.
- **India and Hong Kong see contrasting fortunes.** India's revenue growth was strong at 15% yoy, but on a reported basis was flattish at 2% due to the stronger ringgit. Revenue intensity rose 8% while inpatient volume grew 6%, reflecting robust domestic demand and increasing cases of higher complexity. Earnings improved 14% yoy. Conversely, Hong Kong recorded a slight revenue contraction of 1% yoy and a steeper 16% yoy earnings decline, mainly due to new bed additions. However, management expects performance to improve in 2H25 with ramp-up of capacity.

SOTP VALUATION

Sum of parts valuation	Value (RM m)	Value per share (RM)	Remarks
Parkway Pantai Limited (100% equity stake)	33936	3.84	NPV of FCFF (8.0% WACC, 1.5% LTG)
Acibadem (90% equity stake)	26472	2.99	NPV of FCFF (17.6% WACC, 2.5% LTG)
Fortis (31.1% equity stake)	7028	0.80	NPV of FCFF (9.4% WACC, 3.0% LTG)
Parkway Life REIT (35.7% equity stake)	2404	0.27	
SOP Equity Value	**69840**	**7.90**	

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- We trim our 2025-27 earnings by 6.2%/5.9%/6.6% respectively as we amend our assumptions. Key downside risks are: a) execution risk, b) shortfall in turning around Fortis, and c) heightened regulatory hurdles.

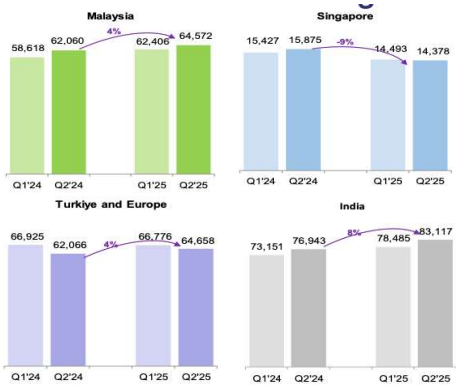
RECOMMENDATION/VALUATION

- **Maintain BUY with a lower SOTP-based target price of RM7.90** (from RM8.30) based on our revised earnings. Our SOTP-based target price implies 33.5x 2026F PE, or close to -0.5SD to its five-year mean PE. IHH's brownfield expansion alone across all its markets will be sufficient to drive growth over the medium term. IHH has also toiled to derisk its operations and realise cost synergies across Turkiye and India respectively and is now reaping the benefits. Hence, its valuations trading below -0.5SD to its five-year mean PE point to an attractive entry.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

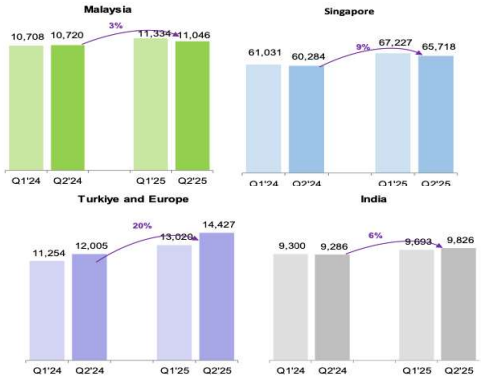
• **Environmental**
- **Waste management.** 15% of non-scheduled waste generated was diverted from landfills in 2020. Ensures that all medical waste and other toxins are treated before discharge or incinerated to protect public health.
• **Social**
- **Diversity & inclusion.** Hiring practices are non-discriminatory and equal opportunity is practiced at the workplace.
• **Governance**
- **Board composition.** IHH has a majority of Independent Non-Executive Directors (INED) on the board. INEDs make up 54% of the board composition.

INPATIENT ADMISSION VOLUMES



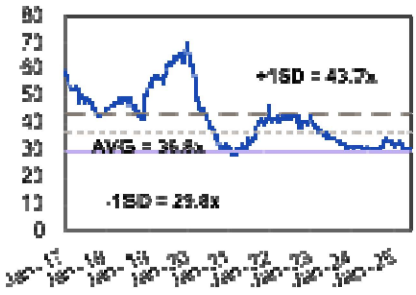
Source: IHH

AVERAGE REVENUE PER INPATIENT ADMISSION



Source: IHH

SEVEN-YEAR PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**24,383.0**	**26,384.7**	**28,971.0**	**31,724.0**
EBITDA	5,542.3	4,190.9	4,730.9	5,128.7
Deprec. & amort.	1,021.4	1,045.8	1,072.4	1,100.9
EBIT	4,520.9	3,145.1	3,658.5	4,027.8
Associate contributions	28.4	33.1	36.3	39.8
Net interest income/(expense)	(792.7)	(870.0)	(852.0)	(793.0)
Pre-tax profit	**3,756.7**	**2,308.2**	**2,842.9**	**3,274.7**
Tax	(594.2)	(403.1)	(492.8)	(601.8)
Minorities	(505.4)	(97.7)	(284.0)	(291.6)
Net profit	**2,657.0**	**1,807.4**	**2,066.1**	**2,381.3**
Net profit (adj.)	1,684.8	1,807.4	2,066.1	2,381.3

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	16,229.0	11,946.7	12,286.7	12,648.0
Other LT assets	33,659.0	37,895.9	37,340.5	36,692.5
Cash/ST investment	1,510.0	2,584.8	3,849.4	5,530.1
Other current assets	5,361.0	5,429.8	5,836.1	6,284.8
Total assets	**56,759.0**	**57,857.3**	**59,312.8**	**61,155.5**
ST debt	3,560.0	3,560.0	3,560.0	3,560.0
Other current liabilities	6,016.0	6,824.4	7,255.7	7,844.8
LT debt	9,366.0	8,000.0	7,000.0	6,000.0
Other LT liabilities	3,909.0	3,909.0	3,909.0	3,909.0
Shareholders' equity	30,140.0	31,405.2	32,851.4	34,518.3
Minority interest	3,768.0	4,158.7	4,736.7	5,323.3
Total liabilities & equity	**56,759.0**	**57,857.3**	**59,312.8**	**61,155.5**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**4,285.0**	**4,894.6**	**4,830.2**	**5,334.3**
Pre-tax profit	3,756.7	2,308.2	2,842.9	3,274.7
Tax	(594.2)	(403.1)	(492.8)	(601.8)
Deprec. & amort.	1,021.4	1,045.8	1,072.4	1,100.9
Associates	(28.4)	(33.1)	(36.3)	(39.8)
Working capital changes	(715.0)	738.7	24.0	139.3
Non-cash items	792.7	870.0	852.0	793.0
Other operating cashflows	51.9	368.1	568.1	668.1
Investing	**(8,247.0)**	**(1,194.6)**	**(1,247.9)**	**(1,301.3)**
Capex (growth)	(3,129.0)	(1,301.5)	(1,351.5)	(1,401.5)
Investments	140.0	173.1	209.4	249.2
Others	(5,258.0)	(66.2)	(105.7)	(149.0)
Financing	**3,033.0**	**(2,625.2)**	**(2,317.8)**	**(2,352.3)**
Dividend payments	(1,224.0)	(542.2)	(619.8)	(714.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	5,097.0	(1,366.0)	(1,000.0)	(1,000.0)
Others/interest paid	(840.0)	(717.0)	(698.0)	(638.0)
Net cash inflow (outflow)	**(929.0)**	**1,074.8**	**1,264.6**	**1,680.7**
Beginning cash & cash equivalent	**2,379.1**	**1,510.0**	**2,584.8**	**3,849.4**
Changes due to forex impact	59.9	0.0	0.0	0.0
Ending cash & cash equivalent	**1,510.0**	**2,584.8**	**3,849.4**	**5,530.1**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	22.7	15.9	16.3	16.2
Pre-tax margin	15.4	8.7	9.8	10.3
Net margin	10.9	6.9	7.1	7.5
ROA	5.0	3.2	3.5	4.0
ROE	9.0	5.9	6.4	7.1
Growth				
Turnover	16.5	8.2	9.8	9.5
EBITDA	(1.9)	(24.4)	12.9	8.4
Pre-tax profit	(2.1)	(38.6)	23.2	15.2
Net profit	(10.0)	(32.0)	14.3	15.3
Net profit (adj.)	31.6	7.3	14.3	15.3
EPS	31.6	7.3	14.3	15.3
Leverage				
Debt to total capital	27.6	24.5	21.9	19.4
Debt to equity	42.9	36.8	32.1	27.7
Net debt/(cash) to equity	37.9	28.6	20.4	11.7
Interest cover (x)	7.0	4.8	5.6	6.5

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